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ABSTRACT

This paper addresses the following questions: (1) what changes in the level of income and of publicly provided goods and services have occurred since Kennedy took office, (2) what differences are apparent in the income of rich and poor, old and young, black and white, and North and South, (3) to what extent were these differences caused by the social programs of the Johnson and Kennedy administrations, and (4) do the benefits of the changing pattern outweigh the costs of achieving it? Between 1960 and 1974, the U.S. population increased by 31 million. The larger labor force produced 64% more goods and services. This extraordinary addition to yearly output was matched by income increases. Certain historic trends continued throughout this 14 year period. For example, the population became more urbanized, and the production of services continued to occupy a larger share of all workers. These trends are consistent with an observed narrowing of some traditional income differences. For instance, black family incomes rose from 52 to 62% of white family incomes and the median income of families of Spanish origin probably also rose in relation to the national median. One income difference that has not been reduced is that between males and females. The composition of the poverty population has changed significantly since 1965. For example, the aged have declined in numbers, while unrelated individuals and female heads have increased. It is suggested that the production increases from 1960-1974 would not have been as great as they were without the aggressive fiscal policy practiced by the Kennedy and Johnson administrations. Moreover, it is also noted that the wide sharing of income would not have occurred without the social policy initiatives of the New Frontier and the Great Society. (Author/AM)

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CHANGING PATTERNS OF INCOME, 1960-1974

Robert J. Lampman

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Robert J. Lampman

7 Changing Patterns of Income, 1960–1974

What changes in the level of income–and of publicly provided goods and services–have occurred since John F. Kennedy took office? What differences are apparent in the incomes of rich and poor, old and young, black and white, North and South? To what extent were these differences caused by the social programs of the Johnson and Kennedy Administrations? Do the benefits of the changing pattern outweigh the costs of achieving it?

Levels of Production and Income

Between 1960 and 1974 the population of the United States increased by 31 million, from 181 to 212 million. While the population increased by 17 percent, the labor force swelled by 30 percent, from 72 to 93 million. The larger labor force produced 64 percent more goods and services; that is, the gross national product (GNP) rose from $737 billion to $1,211 billion, in 1972 dollars, between 1960 and 1974.[1] Almost half this increase occurred in the five years 1962 through 1966, when the year-to-year growth averaged 5.4 percent. In contrast, average yearly growth for the whole 14-year period was 3.6 percent. Per capita GNP went up from $4,082 to $5,711, or by 40 percent. A substantial share–18 percent–of the increased production was allocated to investment and net exports, and 17 percent to government–mostly state and local–goods and services. However, the great bulk of it, two-thirds, went to output for the use of households, and per capita consumption increased by 43 percent.

This extraordinary addition to yearly output was matched by income increases, with labor income showing a slight rise in share, from 77 to 79 percent of the total, and property income, in the form of profits, rent, and interest, an offsetting decline. (For purposes of this calculation, "proprietors' income" is arbitrarily assigned half to labor income and half to property income.) These incomes as earned in the market are reduced by taxes, which grew as a ratio of GNP from 28 to 32 percent, and

increased by cash transfers, which changed from 6 to 10 percent of GNP. Disposable personal income (DPI)—income after payment of taxes and after receipt of cash transfers—was 44 percent higher on a per capita basis in 1974 than in 1960.

Non-cash benefits flowing to persons from government programs, e.g., education services and health care services, rose from 5 to 8 percent of GNP. These benefits are not counted in DPI, but they are properly part of a broader income concept. They reflect a re-allocation of productive resources from private markets or from other public uses. These non-cash benefits, along with cash transfers, e.g., social insurance and public assistance benefits, all of which are referred to below as "social welfare expenditures," add up to the grand total of redistribution, i.e., taking income from some persons and giving benefits to others, which the public sector carries out. The two types of benefits together were $178 billion greater in 1974 than in 1960; that amount equalled 37 percent of the increase in GNP which was achieved in the period.

The larger population in 1974 produced substantially more and had a higher average income level than was true in 1960. However, that larger population is very differently composed, located, and occupied than earlier. The average age in the country advanced. The number of children under five years of age declined absolutely. A larger part of the population is 65 years of age or older, yet the proportion of persons in the "prime working ages" of 20 through 64 years is greater. Persons in these ages were 51 percent of the total population in 1965 (the post-war low for this ratio), and 54.5 percent in 1974. This historic turnabout, along with a 50 percent increase in women at work outside the home,[2] explains the disproportionate rise in the labor force, and the increase from 36.3 to 40.5 percent of the total population employed. This greater work effort came about despite younger people staying in school longer and older people retiring earlier. (The labor force participation rate of aged men fell from 32 percent in 1960 to 23 percent in 1974.)

The number of consumer units, or households, grew faster than population. Those living alone, or as unrelated individuals, increased by 70 percent, while the number of families, whose average size declined slightly from 3.7 to 3.5 persons, increased by 22 percent. These changes are related to the startling increase,

most of which occurred after 1965, in the proportion of all persons who were in households headed by women, from 12 to 15 percent.

While DPI per capita increased by 44 percent, the median income of families (pre-tax income including cash transfers), increased by only a third (from $9,538 to $12,836 in 1974 dollars), with virtually no change after 1969. Unrelated individuals, on the other hand, saw their median income climb from $2,864 to $4,439, or by 55 percent.

Average hourly earnings in constant dollars went up 21 percent for production workers in private, non-agricultural industries. These workers put in fewer hours at work as the period advanced and had only a 15 percent increase in average gross weekly earnings, and a 9 percent rise in average spendable weekly earnings, i.e., gross earnings less Social Security and income taxes. DPI was enabled to rise more than that 9 percent by the more rapid rise of other incomes, including cash transfers, and by the rapid growth of the numbers at work.

Certain historic trends continued throughout the period. Thus, the population became more urbanized. Two million people moved out of agricultural employment and the share of the population living in metropolitan areas continued to increase. On the other hand, the flow of population appeared to shift away from the East toward the South and West, rather than toward the North and West. With education levels rising, more people moved into skilled, technical, and professional occupations. The production of services, as opposed to goods, continued to occupy a larger and larger share of all workers. The most rapidly growing employment was in state and local government. Many of these shifts have undoubtedly worked to the disadvantage of the less educated and less skilled members of the labor force. The racial composition of the population also continued to change, with races other than white increasing from 10 to 12 percent of the total.

Inter-group Income Differences

These trends are consistent with an observed narrowing of some traditional income differences. Thus, farm residents' incomes now average over 80 percent of non-farm income, and the North-South income difference is less than it was. For

example, Mississippi's per capita income rose at 1.6 times the national average. In 1960, the per capita income of the poorest region (the East South Central region) was only 57 percent that of the richest (Middle Atlantic) region. By 1972 it was 69 percent. During the 1960-1974 period, black family incomes rose from 52 to 62 percent of white family incomes, and blacks' share of total income increased from 7 to 8 percent. The median income of families of Spanish origin probably also rose in relation to the national median and now stands at 74 percent. The median educational difference between whites and blacks narrowed from 2.7 years to 2.0 years, and the narrowing was even more marked for younger adults. At the same time, at least up to 1970, it seems that the income advantage associated with additional schooling remained unchanged, with men having four years of college earning 1.91 times at much as those with only eight years of schooling.

One important inter-group income difference that has not been reduced is that between males and females. Incomes of women working full-time, year-round were 60 percent those of men in 1960 and 57 percent in 1974.

There is some evidence that wage differentials have widened for prime age males within and among occupational groups in recent years and that the distribution of wages among all earners has become somewhat more unequal. This may be explained in part by the changing age distribution of the labor force and by the increasing number of women workers, which may offset the equalizing effects of lessened disparity of educational attainment and of retreat from some low-paying occupations and regions. In any event, there seems to be a growing consensus among close observers that the current trend is toward greater inequality in earnings of persons, the distribution of which underlies and largely determines the distribution of family income.

The growth of cash transfers at a rate in excess of the growth of average earnings meant that, in some cases, the difference in income between those at work and those not at work was narrowed. This was particularly true for retired persons. In 1960, less than three-fourths of the aged received Social Security benefits, but in 1974, nine-tenths of them did. For the average wage earner who retired in 1963, the average benefit was $121 per month, or 29 percent of his last year's monthly earnings; the

similar worker retiring in 1972 had a benefit of $210, or 32 percent of his earnings (Levitan and Taggart, 1976). Benefits for the lowest-income aged and disabled persons were improved by President Nixon's Supplemental Security Income program, which went into effect in 1974.

The Aid to Families with Dependent Children (AFDC) program had an even greater rise in participation than did Social Security; in 1960, only one-third of low-income families headed by women with children were participating, but by 1974 three-fourths of them were. At the same time, AFDC average benefits rose relative to median family income. In 1974, they were $720 per person per year. Veterans benefits were also improved relative to average wages. Unemployment insurance coverage and benefit levels were not changed notably after 1960 until 1974, when eligibility was broadened and the duration of benefits was temporarily extended.

In 1974, cash transfers amounting to $112 billion were paid to about 50 million people. Over two-thirds of these benefits went to aged and disabled persons; one-fourth went to families broken by death or separation; and only about 5 percent went to persons whose only "qualification" was unemployment. These transfers tend to offset between a fourth and a third of the aggregate income lost due to the great hazards to income continuity of old age, disability, loss of family breadwinner, and unemployment.

The median family money income, as noted earlier, was $12,836 in 1974. Sixty percent of all American families were clustered in a narrow range between $6,500 and $20,445. The lowest fifth, with incomes below $6,500, received only 5.4 percent of total family income, while the top fifth, with incomes above $20,445, received 41 percent of the total. The top five percent, whose incomes start at $31,948, had 15.3 percent of all family income.

The existing pattern of inequality is better understood by a look at the differing compositions of the several income groups. The top 10 percent is disproportionately comprised of families headed by white, prime-age, working males; multiple-earner families; families residing in northern metropolitan areas; and families headed by those of high educational attainment who are in managerial, professional, and technical occupations. The bottom 10 percent of families—which is not quite the same as the

12 percent of the population currently below the official poverty lines–is disproportionately made up of aged, nonwhite, and female-headed families; southern and nonmetropolitan residents; and those with low educational attainment and relatively unskilled occupations. Contrary to the popular impression, income increases with increased family size up to five persons. The top fifth of families ranked by income has 20 percent of all the children and 27 percent of the earners; the lowest fifth has 16 percent of the children and 11 percent of the earners. In 1974, 44 percent of all the income going to the bottom fifth of families ranked by income was in the form of transfer payments.

This pattern of inequality has remained virtually constant throughout the post-war period in spite of the changes in the size, composition, and geographic location of the population and in the industrial and occupational distribution of the labor force. As we mentioned earlier, there is some evidence of a trend toward more inequality in earnings. That trend is entangled with some demographic changes which tend to increase inequality of family income. Among these are changes in the age-income profile and in the age-composition of the population (Paglin, 1975). Other demographic changes that are relevant include the trend toward separate living arrangements for aged parents and young adults, earlier retirement, and the increasing number of broken families (Danziger and Plotnick). However, these disequalizing trends seem to have been offset by the increases in transfer payments, and by the growth in the number of working wives, who have tended to strengthen the middle of the income distribution. (In the future, if more wives of high-income men work, this may be disequalizing.)

A changing relationship between income and family size, which is masked by the conventional way of measuring income inequality, may have lessened inequality of per capita income. Family size declined more for the lowest fifth of families than for other families, and unrelated individuals (left out of the family count) increased as a proportion of the population. Moreover, income inequality among unrelated individuals shows a decided decline since 1964. Adjusting for family size and including unrelated individuals does reveal an upward trend in the per capita income share of the lowest fifth of households, from 4.1 to 5.2 percent between 1948 and 1973 (Thurow, 1975).

Another argument in support of the idea that there was a hidden trend toward less inequality is that the recent increase in cash transfers, which was concentrated in the lowest fifth of households, is consistently under-reported to the Bureau of the Census. Moreover, a case can be made for counting as income certain non-money benefits, such as food stamp bonus values, the insurance value of Medicare and Medicaid, and public housing subsidies, all of which tend to go to lower-income people. The increasing importance of such benefits means that they would, if included, tend to reduce reported inequality through time. On the other hand, the increasing tax burden is not accounted for either in the distribution of money income. As of 1966, the combined Federal, state, and local tax system was roughly proportional in the income range containing 90 percent of families and progressive through the top 10 percent of incomes (Pechman and Okner, 1974). The new emphasis upon payroll and sales taxes means that the tax system has become less progressive. This means that accounting for taxes paid directly and indirectly does little to support the notion that there is a hidden trend toward less inequality.

One scholar who has examined these matters concludes that the share of the lowest fifth of families in "adjusted relative income," after adjusting for family size, taxes, under-reporting of cash transfers, and after including non-money benefits, did rise (from 8.8 to 11.7 percent) between 1962 and 1972 (Browning, 1976). However, another study concludes that there is little reason to believe that post-fisc inequality has decreased in recent years. "Factor markets remain the primary determinant of trends in income inequality . . . we find no major changes in final income distributions despite rapid growth of government, (and) sizable changes in the composition of taxes and expenditures . . ." (Reynolds and Smolensky, 1975). As of the time of this writing, the question must be reported as unsettled (Taussig, 1976, and Sawyer, 1976).

Income Poverty

While measured income inequality has been remarkably constant, there has been a decline in poverty as measured against the fixed purchasing power poverty-income lines drawn by the Social Security Administration. These lines vary by family size

and turn around a base of $3,000 of money income in 1962 dollars for a four-person family.[3] In 1974, this amounted to $5,038 in current dollars. In that year, 24.3 million people, or 11.6 percent of the population, were below these lines. In 1959, 39 million persons, or 22 percent of the population, were in income poverty, but by 1969 this number had fallen to 24 million, or 12 percent of the population. The next four years were years of slow reduction of poverty and 1974 and 1975 saw a reversal of the trend.

The composition of those counted as poor in 1974 differed from the rest of the nation in a number of ways. The poverty population was disproportionately located in the South (44 percent) and in what have been designated as "poverty areas" (44 percent). It was relatively poorly educated, with 32 percent of family heads having 8 years or less of schooling. It was also disproportionately non-white (31 percent). About half of all the poor were single women or in family units headed by women. One-fifth of the group were unrelated individuals. Half the poor families were headed by a person out of the labor force.

The frequency of poverty was two or more times as high as the overall average of 11.6 percent for the following groups: unrelated individuals, female heads, Negroes, families with 5 or more children, farmers and farm laborers, and families where the head did not work during the year. Interestingly, the frequency of poverty was near the national average for families headed by a person 65 years of age or older. And for families where the head was unemployed, the frequency of poverty was only slightly above the average at 16.1 percent.

The composition of the poverty population has changed significantly since 1965. Particularly, the aged have declined in numbers, while unrelated individuals and female heads have increased. The latter two groups have increased relative to the total population, but the aged have been taken out of poverty in large numbers by cash transfers. With regard to location, the poor are now more heavily concentrated in metropolitan areas; the share in such areas rose from 47 to 59 percent.

It is important to envision "the poor" as not static either in terms of aggregate numbers or of composition. Some people leave poverty every year and some enter it. We say that poverty declines when more leave than enter. Hence, it is as misleading to

speak of "the poor," as it is to speak of "the unemployed," as if they were a permanent class. The University of Michigan Survey Research Center followed 5,000 households over a five-year period. Of those households that were poor in 1967, only 32 percent were poor for the following four years, 42 percent were not poor for at least one year but with no consistent pattern, and the remaining 26 percent were not poor after 1967, although many did not rise far above the poverty-line. Many non-aged families moved in and out of poverty in the five-year period, in most cases because of a change in family composition, the incurring of a disability, or the passing of age 65.

It was noted earlier that poverty was not strikingly higher among the unemployed than among the population at large. Conversely, families with an unemployed head made up only 9 percent of the poor (compared to 5 percent in the total population). Unemployment is not the most prominent characteristic of the poverty population. Looking at the figures another way, one is impressed by how many of the poor are employed. 3.2 out of 5.1 million poor families had at least one earner in 1974; 1.0 million had two or more earners. 1.2 million poor family heads worked the full year, while another 1.5 million worked part of the year. Of the latter group, only 643,000 gave unemployment as the reason for not working; the remainder cited such reasons as disability and family responsibilities. The reasons for not working given by low-income persons 14 years old and over show that the poor differ from the non-poor chiefly with respect to disability and school attendance. Low-income persons who did not work for reasons other than school, illness, or family responsibilities represent only about 5 percent of all poor persons of working age.

The fundamental ingredient of poverty-reduction is growth in per capita capacity to produce (Lampman, 1971). Such change in productivity is believed to arise out of improved education and training, more capital and natural resources per worker, technological advance, and better management. Of lesser importance in the long run is a declining unemployment rate, which cannot fall steadily year after year. Interacting with the rate of economic growth and the level of unemployment, are the following determinants of the year by year process of poverty reduction. (1) The moves people make in search of higher

incomes, i.e., from one location, occupation, or industry to another; (2) demographic changes such as shifts in age and family size; and (3) changes in cash transfers, which offset income loss and supplement low earnings.

During the 1960s, poverty-reduction proceeded at a good rate because of a relatively high gain in productivity per worker, particularly in the years 1962-1966, a short-term fall in the unemployment rate, a rise in the share of the population at work, and strenuous moving about by millions of people in search of higher incomes. Some demographic changes were favorable (more young, well-educated workers), but they were partially offset by others that were unfavorable (more female-headed families). Poverty-reduction was also facilitated by a rapid growth of cash transfers.

Cash transfers are part of a broader set of social welfare

TABLE 1 Social welfare expenditures under public programs, all levels of of government, by purpose, selected fiscal years (1960-1974)

Expenditure	1960	1965	1970	1974
Total, net[a]	52.3	77.2	145.8	239.3
Income maintenance (cash)	26.3	36.6	60.8	107.7
Health	6.4	9.5	25.2	40.9
Education	18.0	28.1	52.0	73.4
Welfare and other services	1.6	2.9	7.8	17.4
Total in constant (1975) prices	**86.7**	**121.0**	**195.2**	**264.6**
Total as percent of GNP	**10.6**	**11.8**	**15.3**	**17.7**

Source: Alfred M. Skólnik and Sophie R. Dales, "Social Welfare Expenditures, 1950-75," *Social Security Bulletin*, vol. 39, no. 1, January 1976, Table 10, p. 19.

[a]Total expenditures adjusted to eliminate duplication resulting from use of cash payments to purchase medical care and educational services.

expenditures, which include outlays by all levels of government for Social Security, public aid, health and medical programs, veterans' programs, education, housing, emergency employment, manpower training, and other social services.[4] An alternative classification of these same social welfare expenditures is displayed in Table 1, which sets forth the outlays by broad purpose. It shows that cash transfers, or income maintenance benefits, were over half the total in 1974, and that they had quadrupled in current dollars since 1960.

One careful estimate is that both in 1965 and 1972 over half of cash transfers went to the fifth of the population who would have been poor in the absence of such transfers. (See Table 2.) However, individual programs vary considerably in their emphasis on the poor. Public assistance paid out virtually all of its benefits to the poor, but unemployment insurance devoted only a fifth of its benefits to that group. In 1972, 53 percent of all cash transfers, or $42 billion, went to the pre-transfer poor.

This $42 billion, given the fact that some pre-transfer poor got more than enough cash transfers to take them over the income-poverty line for their family size, resulted in 12 percent of the population being poor after transfers, in contrast to the 19 percent counted as poor pre-transfer. It is a shocking fact that in spite of the enormous increase in cash transfers between 1965 and 1972 (from $37 billion to $80 billion in current dollars), the share of the population in post-transfer poverty only fell from 15.6 to 11.9 percent. This is due in part to the failure of pre-transfer poverty to decline much at all, in fact by only about a million persons, and to the rise in the pre-transfer income deficit, that is, the difference between actual earnings and poverty line earnings, from $29 billion to $34 billion in 1972 dollars (Plotnick and Skidmore, 1975). Most demographic subgroups showed little change in the frequency of pre-transfer poverty. However, the frequency decreased for families headed by non-white males under 65, while it increased for families headed by white females under 65.

In spite of the slow reduction of pre-transfer poverty during the 1965-1972 period, there was, as previously mentioned, some progress against poverty in post-transfer terms. Cash transfers moved 33 percent of pre-transfer poor households out of poverty in 1965, and 44 percent in 1972. While 69 percent of the group

TABLE 2 Public social welfare expenditures of all levels of government, by type, with percentage spent on pre-transfer poor, 1965 and 1972 (in billions of dollars)

	1965 Total Expenditures	Percentage Spent on Pre-Transfer Poor	1972 Total Expenditures	Percentage Spent on Pre-Transfer Poor
Total	**$72.2**	**43**	**$181.7**	**42**
Cash Transfers	36.6	57	80.1	53
Social Security and railroad benefits	17.6	62	40.4	58
Public employee retirement	5.1	52	11.7	38
Unemployment insurance	2.5	24	6.8	21
Workmen's compensation	1.8	27	3.8	33
Public assistance	4.8	89	10.8	87
Veteran's benefits	4.1	52	6.2	43
Temporary disability	0.3	25	0.4	21
Non-cash benefits	36.1	28	101.6	35
Nutrition	0.9	37	3.7	70
Housing	0.3	51	1.8	55
Health	5.7	55	24.6	56
Welfare and OEO services	1.4	64	5.3	72
Employment and manpower	.7	63	3.9	72
Education	27.1	18	62.2	19

Source: Robert Plotnick and Felicity Skidmore, *Progress Against Poverty: A Review of the 1964-1974 Decade*. New York, Academic Press for the Institute for Research on Poverty, 1975, pp. 52-53 and 56-57.

received a transfer in 1965, in 1972, 78 percent did so. This percentage varied considerably by demographic group, however. Less than half of poor able-bodied fathers, couples without children, and unrelated individuals received a transfer. These facts are often cited as evidence of unfair treatment by the cash transfer system (Barth, *et al.*, 1974).

The effectiveness of the cash transfer system in relieving poverty for some groups in 1965 and 1972 is indicated by Table 3. Closer analysis reveals that blacks are less likely than whites to receive enough cash transfers to take them out of poverty. Those living in the South, those with limited education, and unrelated individuals are also less likely than the average to move out of poverty via cash transfers.

The poverty-income gap remaining after cash transfers was cut by only a billion dollars between 1965 and 1972 and stood at $12.5 billion in 1972. This amount equalled about one percent of GNP, a relationship which indicates how close we were to the elimination of income poverty.

TABLE 3 Anti-poverty effectiveness of cash transfers, by demographic groups, 1965 and 1972 (numbers in thousands)

	Pre-Transfer Poor Households		Pre-Transfer Poor Households Made Non-poor by Cash Transfers			
	Number		Number		Percent	
	1965	1972	1965	1972	1965	1972
All Households	15,609	17,640	5,161	7,682	33	44
With aged heads	7,512	8,643	3,801	5,461	51	63
With non-aged male heads, with children	2,761	2,011	302	464	11	23
With non-aged female heads, with children	1,395	2,210	302	503	22	23
With non-aged heads, with no children	3,943	4,776	756	1,254	19	26

Source: Robert D. Plotnick and Felicity Skidmore, *Progress Against Poverty*, Table 6.4, pp. 146-147.

It can be argued that we were, in fact, closer to that goal than the money income figures indicate. One scholar estimates that after adjusting for under-reporting of incomes (which is particularly large for cash transfers), intra-family transfers, and taxes paid, the poverty-income gap was really only $9 billion in 1972. Further, he finds that if one takes account of non-cash transfers in the form of food, housing, and health care (which increased from $9 billion in 1968 to $16 billion in 1972), then the poverty-income gap was only $5 billion (Smeeding, 1975; c.f., Browning, 1975). Following this line of reasoning, and noting the advent of Suplementary Security Income (SSI) and the expansion of food stamps in 1974, one can conclude that the goal of eliminating income poverty as stated by President Johnson in 1964 had been virtually achieved before the onset of the 1974-75 recession.

By referring back to Table 2, one can see that the poor were recipients of substantially increasing non-cash benefits. The total of such benefits almost tripled between 1965 and 1972, and the share received by the pre-transfer poor increased from 28 to 35 percent. It is reasonable to conclude that the poor were getting a somewhat larger share of the nation's output of such vital services as housing, health care, legal services, job-training, and education in the early 1970s than they were in the 1960s.

What Caused the Changes in Income Patterns?

GNP in 1974 was $474 billion greater in constant dollars than it was in 1960. This enabled an increase for an expanding population of 43 percent in per capita GNP. This extra production was widely shared. Income differences narrowed among regions, races, some occupational groups, and between earners and non-earners. There appeared to be no substantial change in the sharing of money income among families ranked from high to low income. The tax system seems to have become less progressive. However, a changing relationship between income and family size, and a more egalitarian distribution of a rising total of non-cash government benefits suggest that the combined total of money and non-money "income" may have become less unequal on a per capita basis. Income poverty was significantly reduced and, again, if non-cash benefits were to be counted as income, it could be said that poverty was nearly eliminated by 1974.

It can at least be argued that the production increases from beginning to end of the 14-year period would not have been as great as they were without the aggressive fiscal policy practiced by the Kennedy and Johnson Administrations. It can also be argued that the wide sharing of income would not have occurred without the social policy initiatives of the New Frontier and the Great Society, some of which were extended in the Nixon period. These initiatives included the affirming of new rights and the helping of people to exercise them. They encouraged submerged minorities to aspire to greater economic as well as social and political participation. These initiatives may well have facilitated a part of the nation's most sustained period of high economic growth (Levitan and Taggart, 1976).

The Great Society dedicated the powers of the Federal Government to the attainment of national minimums of money income, and of health care, educational, and other key services. This idea was new, but in its pursuit use was made of institutions developed in Franklin D. Roosevelt's New Deal. Again, it can be argued that reaching out to help the disadvantaged regions and groups via cash and non-cash benefits may interact favorably with aggregative fiscal measures to yield a more sustained and harmonious growth.

It is, of course, impossible to know what the patterns of income would have been like in 1974 had the domestic policy initiatives of Lyndon B. Johnson never been tried. We cannot re-run that chapter of history with all else the same, excluding only those policies and all their interactions. But it does seem fair to conclude that these policies as carried out did contribute, along with earlier social policies with which they were not inconsistent, to a wider sharing of the fruits of economic progress. That wider sharing, in itself, was a primary benefit of the Great Society.

Some critics fault these policies with assertions that secondary, or indirect, benefits were too low, and that the direct and indirect costs associated with them were too high (Lampman, 1974). Thus, they claim that while additional health care and educational services were received by the poor and presumably valued by them, the indirect benefits to society in the form of improved health standards and academic performance were not significant. Further, these critics argue that the true cost of cash

and non-cash benefits includes not only the taxes to pay for them but also increases in price, e.g., for health care, occasioned by the extra demand associated with government policy. A further element in indirect cost is any loss in production due to idleness or any reduction in saving induced by social benefits. Finally, some claim that a still different form of cost must be assessed in evaluating these policies. They allege that crime and disorder, the weakening of family solidarity, and a breakdown of inter-racial community feeling all result from these policies.

It is, of course, quite wrong to regard redistribution as costless; and indirect consequences and costs, correctly assigned and appraised, are relevant to the comparison of costs and benefits. But the final judgment will tend to rest on the subjective value that the observer, and the voter, place upon the fact of redistribution itself. The question posed by President Johnson is: How much is it worth to us to have the national government affirm new rights and pursue redistributional goals?

Today's Questions

Further questions for political judgment are thrown out to this generation by the experience since 1960. How much must the Federal Government try to do itself and how much is better delegated to state and local and private agencies? What balance should be sought between cash and non-money benefits? Should future expansions of social welfare expenditures emphasize a negative income tax, further development of the social insurances, including health insurance, or innovation of a massive child day-care program or a set of housing allowances? Should new forms of benefits be designed to meet the income needs of male-headed families and of disadvantaged youth entering the world of work? Should such benefits take the form of tax credits, as in the 1975 income tax law provision for low-income wage earners, or of public job creation? How much emphasis should social welfare expenditures place on offsetting income loss as opposed to supplementing chronically low income as opposed to helping people buy key services such as housing and college educations? How closely can how many different benefits be scaled simultaneously to a beneficiary's income before all monetary incentive to work is destroyed? How seriously should we take the idea that benefits, like taxes, should fall evenly on all persons similarly placed?

(There are numerous horizontal equity problems associated with social welfare programs.)

These and related questions of today involve identification of goals, choice of processes and strategies, and technical considerations (Rivlin, 1975). They owe their vitality to the openings of earlier years and to latter-day reactions. In these questions—and in other ways—the Great Society lives.

References

[1] Throughout this section, incomes are cited in dollars of constant purchasing power. It should also be noted that 1960 and 1974 are both recession years, with unemployment at about six percent of the labor force.

[2] GNP does not, of course, include a valuation of housewives' services at home. To the extent that their services at home declined, the increase in total production is overstated by GNP.

[3] President Johnson set it as a national goal in 1964 to eliminate income poverty as thus defined.

[4] It is worth pointing out that some Federal Government outlays for these purposes merely replaced state and local government and private outlays.

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